

Message Text

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ACTION AGRE-00

INFO OCT-01 ARA-10 EA-10 ISO-00 CIAE-00 COME-00 EB-08

INR-07 LAB-04 NSAE-00 SP-02 STR-05 TRSE-00 FRB-03

OMB-01 /051 W

-----026661 181408Z /44

R 171915Z NOV 77

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 3262

INFO AMEMBASSY BRASILIA

AMEMBASSY CANBERRA

AMEMBASSY MONTEVIDEO

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DEPARTMENT PASS USDA/FAS FOR DL&P/FCA AND L&LP/FMD

E.O. 11652 N/A

TAGS EAGR, AR, BR

SUBJECT URUGUAY SELLS BEEF TO BRAZIL

REF: BUENOS AIRES 8589

1. AGATT DISCUSSED MEAT SALE TO BRAZIL FURTHER WITH ONE OF URUGUAYAN FRIGORIFICOS PARTICIPATING IN BUSINESS WITH BRAZIL AND THERE NOW APPEARS TO BE POTENTIALLY MORE BEEF GOING TO BRAZIL AND MENTIONED IN REFTEL. THIS SOURCE CONFIRMED SALE OF 15,000 TONS OF HINDQUARTERS FOR SHIPMENT BY DECEMBER 31, BUT PUT FOB PLANT PRICE AT \$1,040 PER TON. HE CONFIRMED THAT THIS BEEF IS FOR DOMESTIC CONSUMPTION IN BRAZIL. HE DID NOT MENTION OPTION OF ADDITIONAL 10,000 TONS FOR SHIPMENT BY JANUARY 31, BUT FIRST SOURCE STILL CERTAIN THAT OPTION EXISTS IF DEADLINE OF DECEMBER 31 FOR IMPORT AUTHORIZATION CAN BE EXTENDED. SECOND SOURCE ALSO REPORTED THAT DETAILS ARE STILL BEING WORKED OUT ON SALE OF 10,000 TO 15,000 TONS OF BONE IN FOREQUARTERS AT FOB PLANT PRICE OF \$720 PER TON. THIS BEEF WOULD ENTER BRAZIL UNDER DRAWBACK PROGRAM AND IS FOR PROCESSING

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AND RE EXPVRT. DEALINE FOR THIS 10,000 TO 15,000 TONS IS ALSO DECEMBER 31. OVERALL AVERAGE COMPENSATED QUARTER BASIS PRICE PUT AT \$890 PER TON FOB PLANT FOR BEEF TO BE SHIPPED IN 1977. THUS, TOTAL SHIPMENTS IN LATE 1977 COULD TOTAL UP TO 25,000 TONS WITH A VALUE OF AROUND \$22 MILLION. TRADE CONTACTS IN URUGUAY CONFIDENT THAT UP TO 25,000 TONS CAN BE SHIPPED LATE THIS YEAR, BUT SOME INDICATIONS ARE THAT THEY WOULD LIKE TO SEE THE

DECEMBER 31 DEADLINE EXTENDED TO BE ON SAFE SIDE.

2. EXPORT FRIGORIFICOS OBLIGATED UNDER DECREE ISSUED IN JULY TO SELL INTO LOCAL MARKET ONE UNIT FOR EACH TWO EXPORTED, BUT SOURCES INDICATE THAT SALES INTO LOCAL MARKET SINCE JULY WILL BE COUNTED AND THERE HAVE BEEN VIRTUALLY NO EXPORTS OVER THIS PERIOD. THEREFORE, SOME EXPORT PLANTS HAVE A CREDIT ON DOMESTIC SALES THAT CAN BE UTILIZED AGAINST SALES TO BRAZIL. SALES INTO LOCAL MARKET MUST BE GOVERNMENT ESTABLISHED FIXED PRICE WHICH IS 2.5 PESOS PER KI

U FOR CARCASSES OR EQUIVALENT TO SLIGHTLY LESS THAN \$500 PER TON AT CURRENT EXCHANGE RATE. FRIGORIFICO PLACED QUOTE OPPORTUNITY COST END QUOTE OF SALES INTO LOCAL MARKET AT \$300 TO \$500 PER TON. THIS OF COURSE IS SUBSIDY TO LOCAL CONSUMPTION WHICH IN FINAL ANALYSIS COMES FROM CATTLE PRODUCERS WHO RECEIVE PRICE FROM FRIGORIFICOS THAT IS WEIGHTED BY THIS LOCAL SALE REQUIREMENTS. PRIOR TO JULY DECREE, MOST EXPORT FRIGORIFICOS DID NOT GENERALLY PARTICIPATE IN LOCAL MARKET BUSINESS. ON SALES TO BRAZIL, INAC (NATIONAL MEAT INSTITUTE) IS DESCRIBED AS BEING COORDINATOR, BUT ACTUAL DETAILS APPEAR TO BE WORKED OUT AT FRIGORIFICO LEVEL.

3. IN ORDER TO AVOID JEOPARDIZING RELATIONSHIP WITH TRADE CONTACTS, AGATT WOULD APPRECIATE THAT DETAILS ON SALES TO BRAZIL NOT BE RELEASED. SUGGEST FOLLOWING FOR RELEASE: TRADE SOURCES INDICATE THAT URUGUAY HAS SOLD OR IS ABOUT TO SELL TO BRAZIL UP TO LIMITED OFFICIAL USE

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25,000 TONS OF BEEF FOR SHIPMENT IN LATE 1977 AT AVERAGE PRICE OF AROUND \$890 PER TON. INDICATIONS ARE THAT A PORTION OF THESE SALES ARE FOR LOCAL CONSUMPTION AND A PORTION IS FOR PROCESSING UNDER DRAWBACK PROGRAM FOR RE EXPORT. THERE ARE SOME INDICATIONS THAT BRAZIL COULD BE INTERESTED IN STILL ADDITIONAL QUANTITIES OF BEEF FOR LOCAL CONSUMPTION FOR EARLY 1977.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, MEATS
Control Number: n/a
Copy: SINGLE
Sent Date: 17-Nov-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BUENOS08693
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770428-0191
Format: TEL
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771149/aaaabpkp.tel
Line Count: 101
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: fc72b117-c288-dd11-92da-001cc4696bcc
Office: ACTION AGRE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 BUENOS AIRES 8589
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 555102
Secure: OPEN
Status: NATIVE
Subject: URUGUAY SELLS BEEF TO BRAZIL
TAGS: EAGR, AR, BR
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/fc72b117-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009